

806 KAR 47:030. Requirements for special investigative units.

RELATES TO: KRS 304.47-080

STATUTORY AUTHORITY: KRS 304.2-110

NECESSITY, FUNCTION, AND CONFORMITY: KRS 304.2-110 provides that the Executive Director of Insurance may make reasonable administrative regulations necessary for or as an aid to the effectuation of any provision of the Kentucky Insurance Code. The administrative regulation sets forth policies and procedures for insurers to adopt for their special investigative unit.

Section 1. Definitions. "Special investigative unit" or "SIU" means a unit to investigate fraudulent insurance acts as required in KRS 304.47-080.

Section 2. All insurers shall implement the following in conjunction with their SIU's:

- (1) Systematic and effective methods to detect and investigate suspected fraudulent insurance claims;
- (2) Development and implementation of a corporate antifraud strategy to provide for the appropriate disposition of fraudulent insurance claims;
- (3) Provisions to educate and train all claims handlers to identify possible insurance fraud;
- (4) Policies for the SIU to cooperate with the insurer's claims handlers, the insurer's legal personnel, technical support personnel, and database support personnel;
- (5) Procedures to facilitate insurer communications with the Insurance Fraud Unit and compliance with mandatory reporting of suspected fraudulent insurance acts, pursuant to KRS 304.47-050; and
- (6) Procedures to encourage, coordinate, and effectuate communication and cooperation between the SIU, the Insurance Fraud Unit, and other relevant law enforcement agencies.

Section 3. (1) Within ninety (90) days of the effective date of this administrative regulation, every insurer shall submit to the Insurance Fraud Unit a written report setting forth the manner in which the insurer is complying with Section (2) of this administrative regulation.

(2) The above report shall also include the following:

- (a) If the insurer formed the SIU in house and solely governs it, the year that the SIU was formed;
 - (b) If the insurer has contracted SIU services through another company, the following shall be reported:
 1. The identity of the company providing SIU services;
 2. The initial year of the contract between the insured and the company providing SIU services;
- and
3. A copy of the contract between the insurer and the company providing SIU services;
 - (c) The total number of the SIU investigative staff;
 - (d) The total number of SIU investigative staff investigating cases for multiple jurisdictions including Kentucky; and
 - (e) The total number of SIU investigative staff limited to investigating cases in Kentucky.

Section 4. Within thirty (30) days of a material change of the information provided in the above report, the insurer shall amend the written report and refile the report in accordance with this section. (22 Ky.R. 157; eff. 9-7-95; TAm eff. 8-9-2007.)